

be a debt owed to Refco by a Refco customer. Shortly after each fiscal year- or quarter-end, these transactions were unwound, returning the debt to RGHI.

The massive debt owed by BENNETT's holding company to Refco was increased not only by losses sustained through its customers' trading but also through proprietary trading losses accumulated over several years, operating expenses shifted out of Refco Group and into RGHI, fake foreign exchange and U.S. Treasury security trades, and other fraudulent activities that caused more than \$1 billion in income padding from fiscal year 1998 until Refco's collapse in October 2005.

In particular, BENNETT hid from others, and contributed to the RGHI debt to Refco, the following losses, among others:

- At least \$71 million in losses sustained by a customer in trading on the Chicago Mercantile Exchange in 1997;
- At least \$160 million in losses sustained by a group of customers trading in Asian markets in 1997;
- At least \$40 million in losses from Refco's own trading in Russian bonds in 1998.

In addition, BENNETT caused the following expense-shifting and revenue-padding transactions, among others:

- Approximately \$43 million of computer expenses moved out of Refco and into BENNETT's holding company;
- Approximately \$492 million in interest income charged on the debt owed by BENNETT's holding company to Refco;
- Approximately \$68 million in litigation settlements moved out of Refco and into BENNETT's holding company;
- Approximately \$40 million in profits from fake U.S. Treasury notes and foreign exchange trading between Refco and BENNETT's holding company; and
- Approximately \$109 million in wage and salary expenses moved out of Refco and into BENNETT's holding company.

In August 2004, Thomas H. Lee Partners, L.P., purchased a majority interest in Refco, financed by \$1.9 billion leveraged buyout transaction. In connection with that transaction, Refco sold approximately \$600 million of notes to the public and

borrowed approximately \$800 million from a syndicate of banks. In August 2005, Refco conducted an initial public offering of approximately \$583 million of Refco's common stock.

On October 10, 2005, Refco issued a press release announcing, in substance, that it had discovered that it was owed a debt of approximately \$430 million by an entity controlled by BENNETT. Following release of this information, the market price of Refco stock plummeted, and Refco's stock was subsequently delisted by the New York Stock Exchange. Refco Inc. and many of its subsidiaries filed petitions in bankruptcy on October 17, 2005.

The following chart summarizes the charges to which BENNETT pleaded guilty:

Count	Charge
1	Conspiracy To Commit Securities Fraud, Wire Fraud, Bank Fraud, To Make Material Misstatements To Auditors, And To Make False Filings With The SEC
2, 3	Securities Fraud
4	False Filing with the SEC - Securities Exchange Act of 1934
5, 6	False Filing with the SEC -- Securities Act of 1933
7, 8, 9, 10, 11, 12, 13	Wire Fraud
14	Material Misstatements to Auditors
15	Bank Fraud
16, 17, 18, 19, 20	Money Laundering

At sentencing, Judge BUCHWALD held BENNETT responsible for stealing approximately \$2.4 billion from Refco's banks and investors, and ordered him to pay \$2.4 billion in asset forfeiture.

BENNETT, 59, resides in Gladstone, New Jersey.

BENNETT was is scheduled to surrender to a designated facility on September 4, 2008.

Mr. GARCIA, a member of the President's Corporate Fraud Task Force, praised the efforts of the United States Postal Inspection Service, and thanked the Securities and Exchange Commission and the Commodity Futures Trading Commission for their assistance in the investigation of this case. The Criminal Investigators of the United States Attorney's Office also investigated the case.

Assistant United States Attorneys NEIL M. BAROFSKY, CHRISTOPHER L. GARCIA and RUA KELLY are in charge of the prosecution.

08-168

###